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Winston, N.C. _____ 187_

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BOUGHT OF

R. J. REYNOLDS

DEALER IN LEAF

MANUFACTURER OF PLUG & TWIST

TOBACCOS.

THE CALVERT LITH. CO. DETROIT.

Agents or Brokers without special written authority from me, are not authorized to collect money on my account.

Our 100th Anniversary
1875-1975

This year R. J. Reynolds Industries, Inc. is celebrating the 100th anniversary of the business founded by Richard Joshua Reynolds in 1875.

This booklet is an illustrated history of the growth of the company from a single-product tobacco firm into a remarkably diverse, worldwide corporation with more than 32,000 employees and 1974 sales and revenues of $4.5 billion.

We felt you would like to have a copy, and if you have any questions please feel free to contact us any time.

Corporate Public Relations Department
R. J. Reynolds Industries, Inc.
Winston-Salem, N. C. 27102

RICHARD JOSHUA REYNOLDS

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The story of the international company that now bears his name begins with the vigorous and remarkable talents of Richard Joshua Reynolds.

His background was tobacco. He was born July 20, 1850, at Rock Spring Plantation, situated on the No Business Fork of the North Mayo River, near what is now Critz, in southwestern Virginia. There his father grew tobacco, made it into plug for chewing, and sold it throughout the South.

Richard Joshua, known as Dick to family and friends, wasn't a good student, which he readily admitted.

Above: Young RJR and his Virginia birthplace.

But his intelligence was never in question. Nor was his wit. During the Civil War years, a schoolteacher asked what covered the mountains. Dick quickly replied, "Rocks and deserters."

After completing two years at Emory and Henry and courses at a Baltimore business college, young Reynolds returned to Rock Spring. He helped manage the factory, and went on peddling expeditions, often driving a wagonload of chewing tobacco as far as Kentucky and Tennessee in search of customers.

On one of these trips, he found times hard and money scarce, so he resorted to barter. Reynolds returned home with his wagon loaded with ginseng, tallow, cowhides, bearskins, homespun goods, furniture, rag carpets—and three horses and mules hitched on behind. In his pocket was a $125 gold watch the owner had traded for tobacco worth $30.

His brother Abram gave him the devil for bartering $2,000 in tobacco for such merchandise. But Dick held an auction, serving as auctioneer himself. He sold everything at a fair price, and made more than the tobacco would have brought in cash. As for the gold watch, when his brother bid $30, Dick raised the bid to $90 and kept it for himself.

But the more Dick Reynolds learned about the business, the more he was convinced that his future in tobacco lay elsewhere. Accordingly, in the fall of 1874, selling back his partnership in Rock Spring, he saddled up and rode south. Among his possessions was the "Joshua coin," a lucky Peruvian silver piece that had been—and still is—handed down through generations to each next of kin named Joshua.

But this Joshua wasn't superstitious. He was going to depend on brains and hard work.

THE LITTLE RED FACTORY

When Reynolds rode into Winston, North Carolina—population about 400—it was past frame buildings and down unpaved streets that were deep in dust or mud, depending on the weather. The established Moravian village of Salem, a mile away, was the center of industry and culture. The two communities eventually became one.

But the little frontier town of Winston had two elements the 24-year-old Virginian saw as keys to success: it was the center for the new flue-cured leaf that made the best chewing tobacco, and it was on a newly built railroad line.

Next to the tracks on Depot Street, now Patterson Avenue, Reynolds bought a lot and built the "Little Red Factory," a two-story structure covering less than the area of a tennis court. He made his living quarters on the second floor, and in the spring of 1875 he and a few workers began operations, turning out 150,000 pounds that first season. From then on, about every other year, a new addition had to be made to the factory to keep up with the demands of a nation of chewers.

The R. J. Reynolds Tobacco Company was incorporated in North Carolina in 1890 with Reynolds as president and brother Will as vice president. Brother Walter joined the firm later. A few years earlier Reynolds had planned to retire when he made $100,000, but now that was forgotten and he talked of erecting what he called "THE tobacco factory of the South."

It was Number 256, a six-story building with steam power, electric lights, and a smokestack which alone cost more than the original Red Factory. It had the capacity for 900 employees to perform their duties of stemming, rolling, picking, sorting, pressing and shipping. Adding brandy and licorice for flavoring was important, of course. Ten years later production had quadrupled and even 256 wasn't big enough. Number 8, twice its size, went into operation in 1901. This one had telephones! And in some offices clerical workers kept their files in cabinets rather than in old licorice boxes.

Richard Joshua Reynolds became one of Winston's leading citizens. He helped establish a savings bank; he served as city commissioner; he was instrumental in having roads built; he signed petitions; he fought J. P. Morgan's railroad monopoly. He was not much more than 30 years of age when folks began referring to him as "R.J.R." and he registered the initials, realizing their value.

A six-foot-two bachelor with dark hair and eyes, he liked horses and hunting; he squired bridesmaids at weddings; he attended a Mother Goose Dance as one of King Cole's Fiddlers Three; and he cut quite a figure during an 1884 Knights of St. Patrick parade. When his younger brother Harbour came to town he wrote back to their mother that "Dick is the biggest blood in Winston."

Above left: The Little Red Factory.

Right: A distinctive tag marked each plug brand.

OLD
PORT

FAT
BACK

NORTH AMERICA

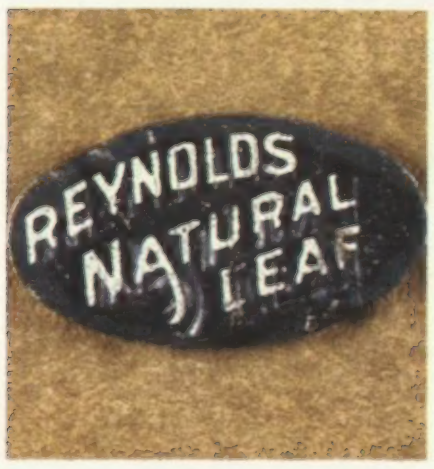
R.J. REYNOLDS TOB. CO.
STRAWBERRY

MICKY

RED BIRD

OGBURN HILL & CO.
MINNIE OGBURN

R.J. REYNOLDS
TOBACCO MANUFACTURER
FACTORY No 256
N.C.
5TH DIS.
R. J. REYNOLDS
TOBACCO WORKS


REYNOLDS
NATURAL
LEAF

APPLE
SUN
CURED

ACME
LUPPERT SCALES & CO.
WINSTON N.C.

BROWN'S
MULE

SPECKLED
BEAUTY
P. H. HANES & CO.
WINSTON, N.C.

WINE SAP

R.J. REYNOLDS TOB. CO.
TRADE
MARK

THE FLAT PLUG KING

Reynolds was perhaps the first tobacco manufacturer to organize a true sales force. "Tobacco drummers are as thick as bees in a clover field," someone reported. Reynolds salesmen pushed their products relentlessly, tacking posters over those of the competition and distributing handbills and calendars featuring pretty girls. One illustration showed a man booting himself with a kicking machine because "he was slow to try Schnapps plug."

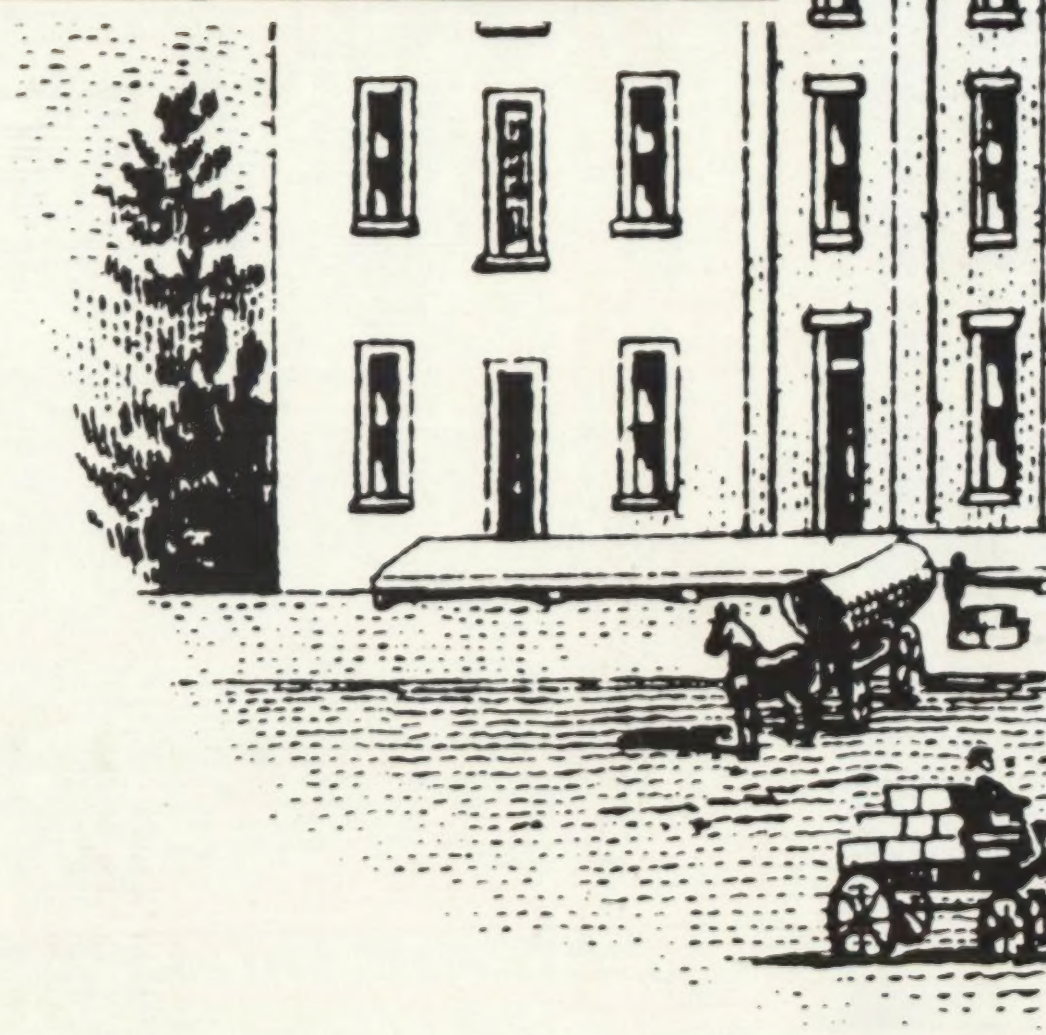
Back in the home office, Reynolds himself was behind the exhortations that bombarded the salesmen and most of the advertising ideas and slogans. One series of wall and fence signs referred to R. J. R. tobacco as the "sad man's cordial." He also brought in new machinery to boost production. One of his most important innovations was the use of saccharin as an inexpensive and easy way to sweeten the bright leaf. He never admitted this, instead letting it be known that his tobacco was "naturally sweet," a botanical freak that grew only in the vicinity of Winston. In addition, he is credited by some as having been the first to learn to age tobacco in the leaf before manufacture, rather than in the plug, as had been the custom. Another factor in his success was that Reynolds had the capital to buy out his competitors. Not long after the turn of the century RJR was making a quarter of the nation's flat plug.

READ

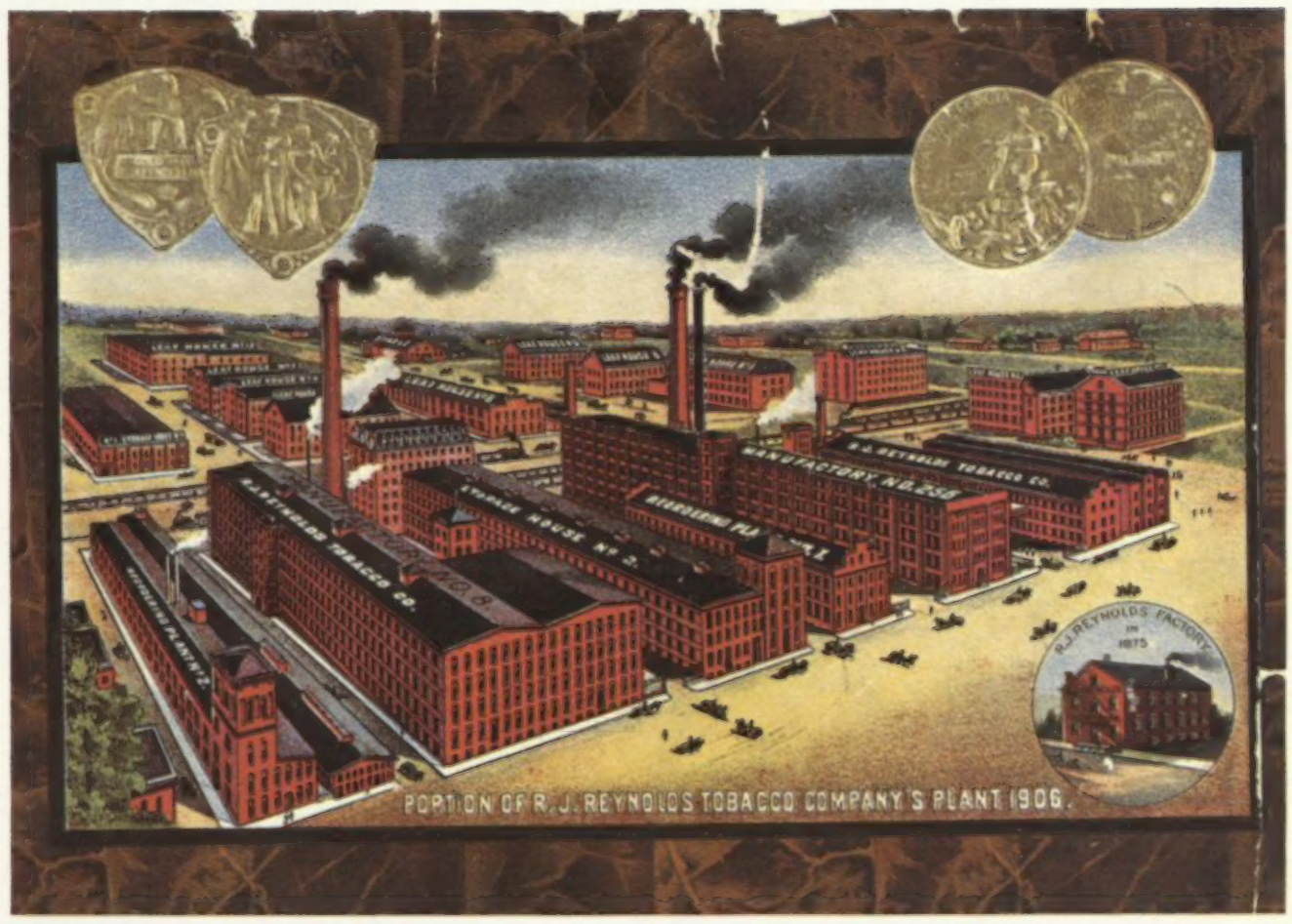
The following extract from March edition of the "Iron Belt," Roanoke, Va.,

How the Bottom Rail gets on Top and all be Benefitted by the Shuffle.

Not by slight of hand, but in an open, fair handed way. Requires years of hard work to accomplish it and benefit all who are instrumental in building it up. When they have this ability and are not circumscribed as to territory, there is no limit as to what they can accomplish with the most popular chewing Tobaccos offered. We are reliably informed by the trade and chewers of Tobacco that R. J. Reynolds' Level Best, Double Thick 8 oz., and R. J. R. Pocket Piece, manufactured by R. J. Reynolds Tobacco Co., Winston, N. C., are the best goods on the market. They have recently equipped the largest and best Tobacco Factory in the South, and are now much better prepared than ever to make the shuffle.



Above: Office staff at the turn of the century.


POPTION OF R. J. REYNOLDS TOBACCO COMPANY'S PLANT 1906.

THE INTERNATIONAL JOY SMOKE

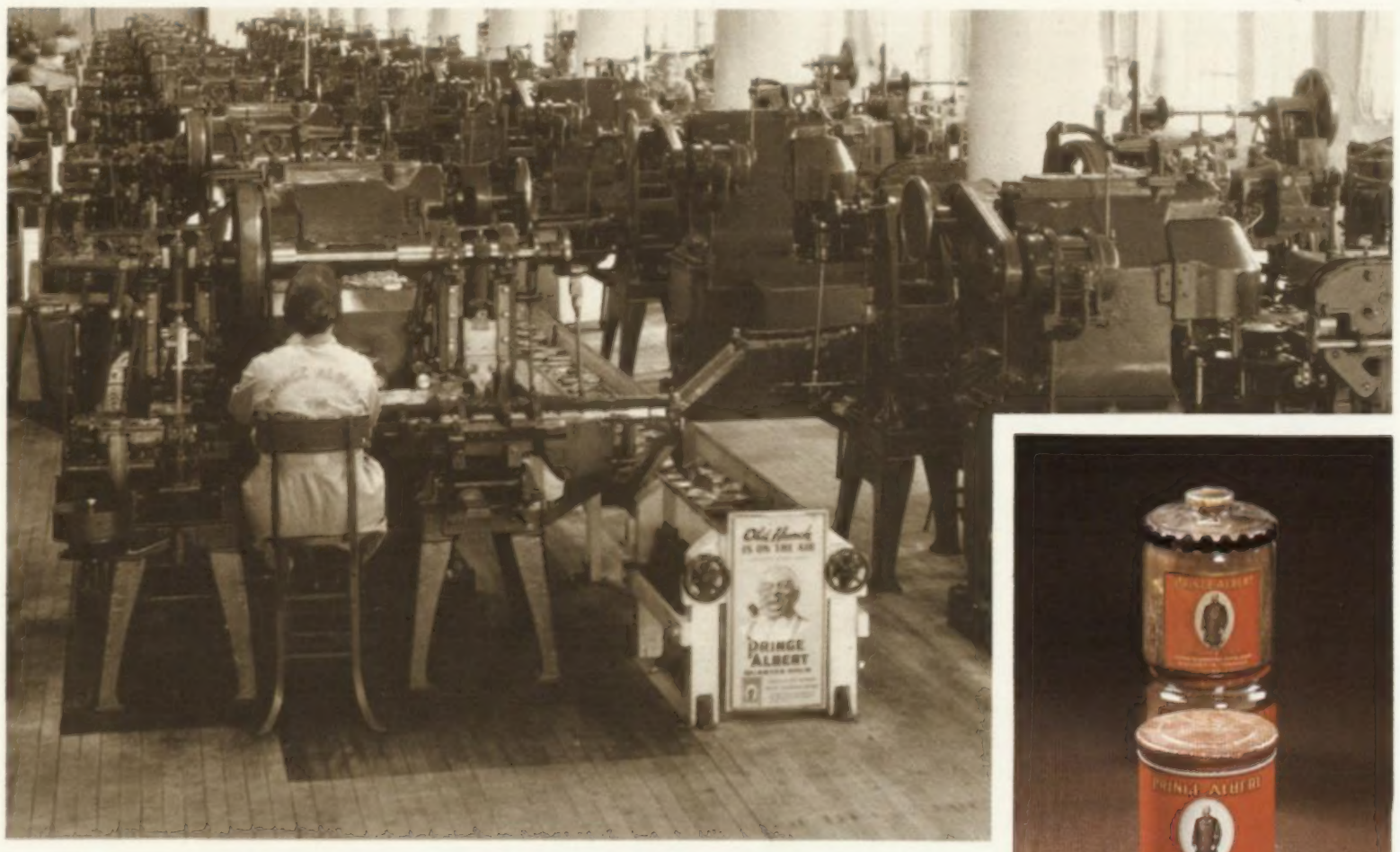
Someone had said, "Reynolds can see further ahead than most people can see behind them." He proved the assessment correct by anticipating an increase in the popularity of smoking tobacco. He was already making several brands, among them Our Advertiser, which is being produced to this day.

But Reynolds wanted something new and different, and in 1907, after experimenting with different formulas, he introduced a tobacco using Kentucky burley, naming it after the popular Prince of Wales who had become the British monarch, Edward VII. He wrote detailed instructions to the printer regarding the wording of the label, sending along a photograph he had torn from a newspaper. It showed Mark Twain at a Windsor Castle tea party with the royal family, the king wearing the frock coat he had originated years before as Prince Albert.

The new product caught the national fancy. In its first four years production rose from 250,000 pounds annually to more than 14 million, and kept going up. Packing, wrapping, stamping and labeling smoking tobacco on such a large scale forced the flat plug makers at Reynolds into new paths on short notice—finding machinery, for instance, that could increase production, and setting up a tin-box shop to make containers rather than buy them from a supplier. Prince Albert first came in five-cent cloth bags and two-ounce tins, then in half-pound and one-pound hermetically sealed humidors conceived by Reynolds.

The introduction of Prince Albert was a turning point for the company in a special way: in 1910 Reynolds hired an agency, N. W. Ayer and Son, to mount a national advertising campaign. "The Saturday Evening Post," "Collier's Weekly," "Literary Digest," "Munsey's" and other magazines ran ads that called attention to the pipe tobacco that "can't bite your tongue."

Blinking lights on a huge electric signboard overlooking New York's Union Square revealed a tall, tall man and the words, "Prince Albert —The Nation's Joy Smoke, R. J. Reynolds Tobacco Company, Winston-Salem, N.C." Later the slogan was changed to "The International Joy Smoke."



Right: "Old Hunch," the jovial character first used in 1912, became famous in Prince Albert advertisements.

PRINCE ALBERT

PRINCE ALBERT
THE INTERNATIONAL JOY SMOKE
PRINCE ALBERT

New pipe-Joy
– awaits every man
who packs his pipe
with PRINCE ALBERT

IS THIS A CAMEL?

With a popular national product on his hands, Reynolds didn't relax. He got started on another idea.

In those days most cigarette smokers rolled their own. Manufactured brands were generally straight tobacco, such as Virginia or Turkish, none very strongly in favor with the public.

Reynolds made up his mind to blend a new kind of cigarette that people couldn't resist. By 1913, after resolving initial problems of acquiring new machinery, he made his move. Never a man to risk all in one shot, he introduced four brands to test the reaction. Reyno, a straight Virginia packed 10 to a box, sold for a nickel. Osman was a Turkish blend. Red Kamel was a Turkish straight, an elegant thing with a cork tip, 10 for 10 cents. The fourth was, like Prince Albert, different, a blend of burley and bright, with Turkish leaf included for taste and aroma, and a generous amount of sweetening. This was Camel, 10 cents for a pack of 20.

In naming each, Reynolds combined simplicity with pictorial possibilities. Camel, Osman, Aga, Reyno, Kismet, Nabob, Oracle, Rembrandt, Danube—these were on his list. Osman was a Turkish war hero; the brand was a failure. Reyno was eventually discontinued, surfacing again recently as the company's menthol brand in some European countries. Investigation proved that a small Northern firm was also making a Red Kamel brand. Reynolds bought them out, lock, stock and barrel.

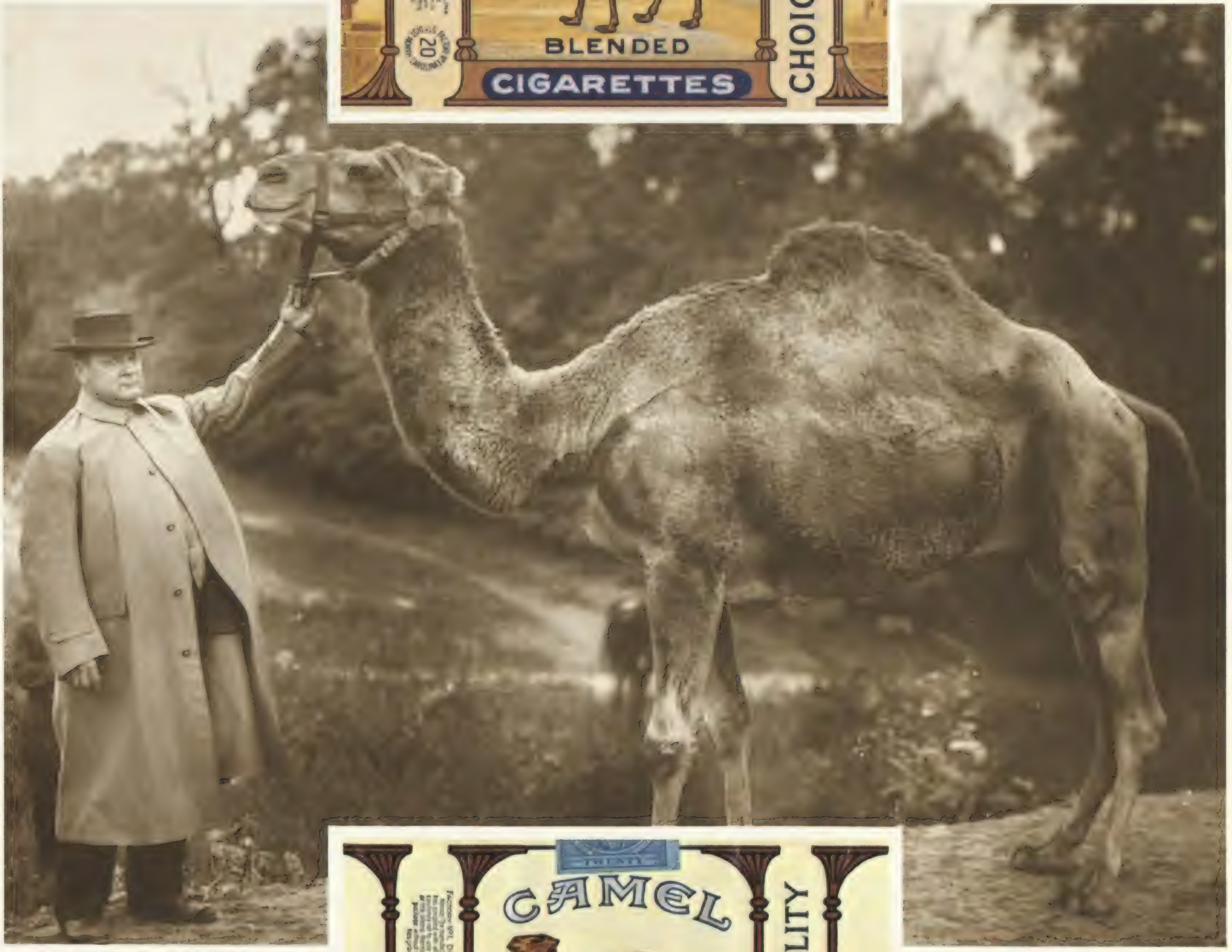
In Richmond the lithographers prepared two labels, "Kamel" and "Camel," with the latter winning out. A great deal of attention was paid to the wording, especially to the famous inscription advising purchasers: "Don't look for premiums or coupons, as the cost of the tobaccos blended in Camel Cigarettes prohibits the use of them." The label's background of temples, minarets, an oasis, and pyramids was much like it is today, but the camel in the foreground was a pathetic, one-humped beast with short, pointed ears, two-pronged hoofs and a drooping neck.

Is this a camel? the Reynolds people asked each other. Consulting the "Encyclopedia Britannica," they learned that a one-humped dromedary could indeed be called a camel, although no one was too pleased with the creature's looks. Luckily, Barnum & Bailey came to town, Monday, September 29, 1913, and Roy C. Haberkern, Reynolds' young secretary, went to investigate. With a photographer, he visited the circus menagerie and found not only a dromedary, but a two-humped camel as well. When the animal boss refused permission to photograph them, Haberkern pointed out that Reynolds had always closed offices and factories for the circus, a practice that could easily be discontinued. The trainer relented, but demanded a written release from the company.

Haberkern raced back to the closed office building, climbed through a window, wrote the agreement, and signed Reynolds' name to it. Back at the fairgrounds the circus man conceded and brought out the two animals. The camel posed willingly, but Old Joe, the dromedary, wouldn't hold still. The trainer gave him a slap on the nose. Old Joe raised his tail, threw back his ears and closed his eyes as the shutter snapped. From that photograph an improved label was designed and Old Joe became the most famous dromedary in the world.

Above: RJR's first three cigarette brands and the machine that packed them.

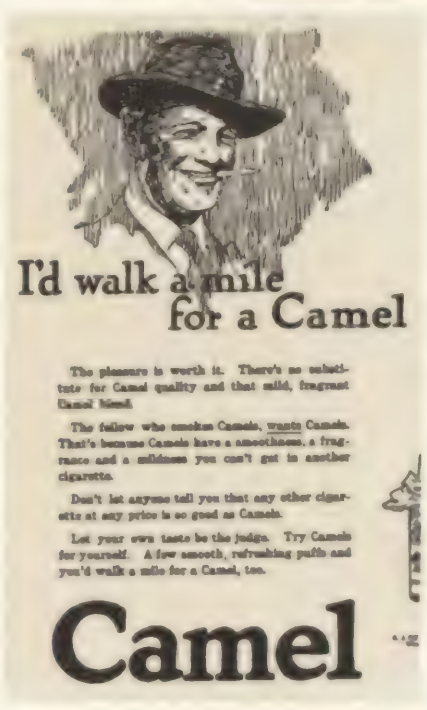
CAMEL
BLENDED
CIGARETTES
CHOICE QUALITY
TWENTY
20



CAMEL
TWENTY
TURKISH & DOMESTIC
BLEND
CIGARETTES
CHOICE QUALITY
20

"I'D WALK A MILE..."

Camel's impact was astounding. At that time cigarettes held only sectional appeal—Fatima in the East, Picayune in New Orleans, and so on. But Reynolds, through an innovative advertising and sales campaign, managed to create a national taste. N. W. Ayer was offered $250,000 to introduce Camel that year, a handsome sum in those days. The agency started with a series of teaser ads that opened with the single word "CAMELS," followed by "The Camels are Coming!", then by "Tomorrow there'll be more Camels in this town than in all Asia and Africa combined!" and finally: "Camel Cigarettes Are Here!" In 1914 "The Saturday Evening Post" printed its first cigarette ad, a two-page Camel spread.



In that year, the company sold 425 million cigarettes. By 1921 the figure had risen to more than 18 billion, and one-half the cigarettes smoked in the United States were Camels. A few years later Reynolds was turning out 30 billion annually, and there seemed to be no end in sight. During World War I, doughboys in France asked for more Camels and General Pershing himself sent the appeal on to Winston-Salem.

With Camels booming, salesmen were busier than ever. The public wanted the new taste, and they liked the 10-cent price, too, as most rivals were 15 cents.

Won on Service?

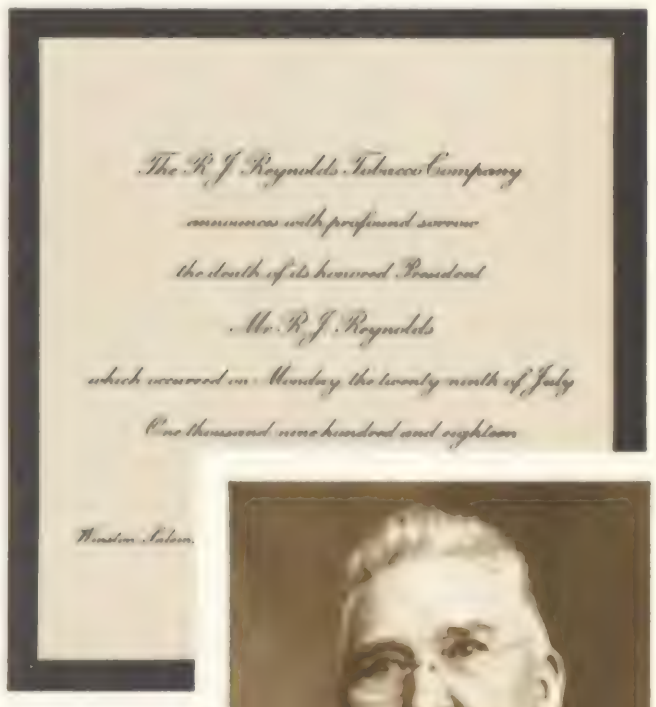
bringing greater pleasure in smoking, Camels have first place by billions and keep right on growing

CAMELS

When Richard Joshua Reynolds died at the age of 68 on July 29, 1918, the company he had begun employed 10,000 people in 121 buildings in Winston-Salem.

Shortly after his death a catchword came along that RJR undoubtedly would have liked to have written. Fresh out of cigarettes, a foursome of golfers sent for a new supply. While they waited, one of them said to Martin Reddington, who handled Reynolds' outdoor ads, "I'd walk a mile for a Camel." He worked it into a poster, using a New Haven fireman as a model. In 1921 the famous slogan appeared on billboards and in newspapers and magazines.

The cigarette you can be fond of . . .



The R. J. Reynolds Tobacco Company

announces with profound sorrow

the death of its honored President

Mr. R. J. Reynolds

which occurred on Monday the twenty ninth of July

One thousand nine hundred and eighteen

Winston-Salem.

Camels, of course

The more you demand of a cigarette the quicker you come to

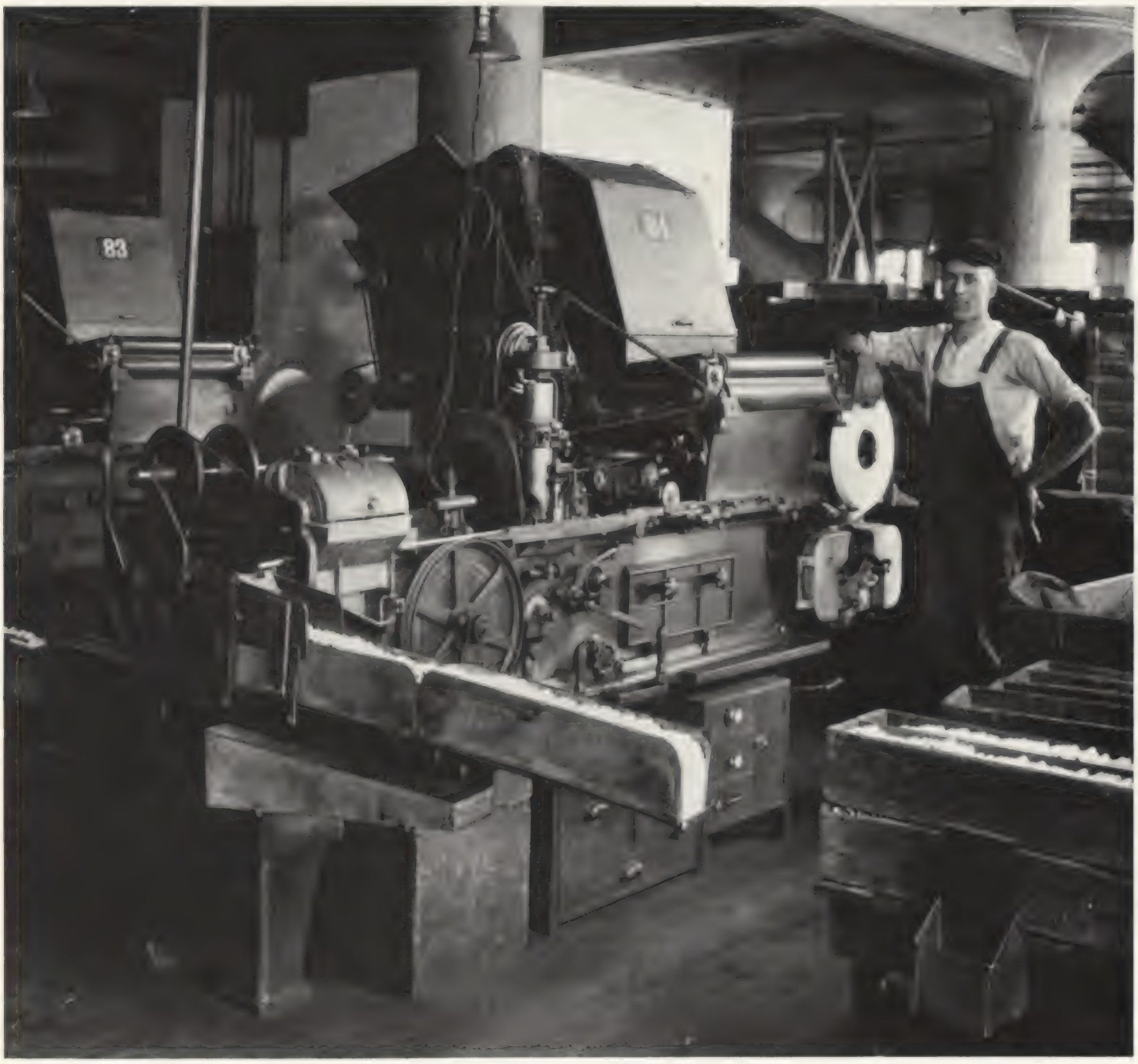
CAMELS

MODERNIZED, MECHANIZED AND MOVING

The meteoric rise of Camel placed great demands on the company. The purchase, storing and processing of leaf, for example, became more complicated because of the different types of tobacco now called for. Acquiring the Turkish leaf from abroad created shipping and management problems.

New methods of operations were seized upon for greater efficiency. Horse-drawn drays in the team and storage division gave way to gasoline-powered trucks. Armed guards were hired to escort the payroll. There were no holdups, but once a bag broke and 1,000 silver dollars rolled down the street in front of the Wachovia Bank. The guards picked them up. There was even a change in the hogshead, so vital in the storage and shipping of tobacco. Two employees invented a kind that opened in the middle rather than at the ends, saving the firm a lot of money.

A great step forward was the discovery of a method of affixing revenue stamps to cigarette packages, the stamp serving as a means of sealing the pack. An improvement in the cigarette making machines doubled the production of each one to 1,150 Camels a minute. Packing machines originally developed for making matches proved to be marvels for cigarettes by combining three operations in one. The story goes that with the advent of



cellophane, mechanics argued they couldn't join a packaging machine with one that wrapped cellophane. The mechanics were locked in a room with the two machines and told to stay until they got them to operate as one. Needless to say, when they came out, they had succeeded.

Reynolds was instrumental in the establishment of an American source for cigarette paper, which had traditionally been available only in France. And in the 1920's the company began its own foil division, primarily to avoid reliance upon outside suppliers.

Of all the changes made during this period, perhaps the most dramatic came in April, 1929, when the office force moved from its quarters in old Number 38 into a new 22-story building on the site of the old City Hall. This handsome edifice won an award from the National Association of Architects for the best building of the year. That no doubt explains why its architects, when they got the contract for the Empire State Building, designed a replica —except for size, of course—of the Reynolds Building in Winston-Salem.

THE COMPETITION CLOSES IN

Sooner or later it was bound to happen: the competition closed in from behind. Lucky Strike passed Camel in 1929; Chesterfield did the same in 1933. During the Depression years they were all hurt by cheaper brands and by a roll-your-own vogue.

A battle took place on the terrain of advertising. Realizing that Camel was no longer unique and that new thinking was needed, Reynolds decided to change advertising agencies. After a brief hiatus with Erwin, Wasey and Company, in 1932 Reynolds signed up William C. Esty and his new firm.

The major tobacco companies considered large-scale advertising essential, and the expenditures were heavy. For most of the 1930's Reynolds each year put an amount equal to more than half of its net earnings into magazines, newspapers, billboards, gratis goods, point-of-purchase advertising, and then into a new medium—radio. Most of the money went into promoting Camel. In one year, 1934, advertising costs for the company amounted to nearly 81 percent of net earnings.

A few years earlier Reynolds had developed the first single-piece, folding-style cigarette carton. It also was the first with another packaging improvement, wrapping Camels in moisture-proof cellophane. To attract attention, the company sponsored a nationwide $50,000 contest, with half of that amount going for first prize for the best answers to the question: "What significant change has recently been made in the wrapping of the Camel package and what are its advantages to the smoker?" The judges were Charles Dana Gibson, the noted illustrator; Roy W. Howard, chairman of the board of the Scripps-Howard newspaper chain; and Ray Long, president of the International Magazine Company and editor of "Cosmopolitan."

There were close to a million entries. So many letters poured into the Reynolds offices in Winston-Salem that space had to be rented in other parts of town. Armored cars and armed guards transported entries daily between the post office and contest headquarters. A Boston milkman, a Brooklyn housewife, and a Duluth real estate dealer won

Above: Guards protect "Humidor Pack" contest entries in 1931.

the top three prizes and were brought to Winston-Salem in private railroad cars for an elaborate awards banquet which featured, among other things, two radio stars, Morton Downey and Tony Wons.

William Esty had once been a barker at a Coney Island sideshow, and his first theme for Reynolds reflected that experience. "It's Fun To Be Fooled . . . It's More Fun To Know" was the series, each ad featuring a magician's trick and an explanation of how it was done. The series was so popular that the company mailed out a million copies of "The Magician's Handy Book of Cigarette Tricks." Magicians, incidentally, still complain occasionally about the revelations in those advertisements.

Numerous lively advertising themes followed. In one, a picture and often a testimonial from some well-known athlete of the day—Bill Tilden and Carl Hubbell were two—was the focal point. "Try Ten Camels" with a money-back guarantee was another. One of the highlights of outdoor advertising was a big 3,000-square-foot electric sign overlooking Times Square from Forty-fourth Street.

THE GOLDEN AGE OF CAMEL

The first radio programs sponsored by Camel cigarettes were the Camel Pleasure Hour and the All-Star Radio Revue, inaugurated in 1930. They were followed by the Camel Caravan, featuring Walter O'Keefe and Robert Benchley as master of ceremonies, Annette Hanshaw, Ted Husing, and Glenn Gray's Casa Loma Orchestra. Later radio sponsorships included Eddie Cantor and Benny Goodman.

The cigarette war ended in 1935 when, thanks to what one Reynolds executive called the "whizz and whoozle" of its advertising campaigns, Camel regained leadership over its rivals.

During World War II Camels were sent by the billions to GI's overseas. Customers could fill out coupons in stores and have cartons shipped to servicemen almost anywhere in the world. There were other highlights in the company's involvement in the war. The foil division made aluminum strips, called "window," which were dropped by Allied planes to jam the enemy's radar. Back in Winston-Salem, Reynolds bought the surplus of employees' victory gardens, canned it and used it in the lunchrooms.

Prisoners from Rommel's Afrika Corps were interned in Winston-Salem during the war, and many were hired to work in Reynolds' Number 1 and Number 2 Leaf Houses. One of these young Germans was a lightning artist, whose job had been to fly over enemy lines and make quick sketches of what he observed. When the tobacco foremen discovered this, they took him off the sorting and processing line and set him to painting scenes of activity in the leaf house.

One of Camel's fans was President Franklin D. Roosevelt, who was often pictured with a cigarette stuck in the end of a long holder. Today visitors to his restored Hyde Park, New York, home, a National Historic Site, find a 1940's Camel pack on his desk among the authentic items he used while working there.

Over the years, the Camel pack acquired a mystique of its own. People saw images—a woman, a lion, and so forth—in the illustration of Old Joe, the camel. Others liked to demonstrate how the word CHOICE reads the same in the mirror as it does on the label. There were all manner of parlor and bar games. Count the "e's" or "t's" on the back panel. Count the camels. (There's one behind the pyramid.) Clever people have been making a variety of objects out of empty packages—from ashtrays to picture frames to potholders. The package had even attained a kind of spiritual honor when a United States Congressman, at an audience with the Pope, accidentally held a pack of Camels along with some medals as they were blessed by the Pontiff.

For 15 years following the end of the war, Camel continued to hold first place in the sale of all brands, which probably could have been anticipated. What was not foreseen was the violent reaction when in 1958 Reynolds decided to fancy up the sacred package. "Just a few minor changes in the familiar camel and the pyramid symbol to modernize the 45-year-old design," was

Photos from The Bettmann Archive Inc.

Above: Camel radio stars: top, Vaughn Monroe; center, Eddie Cantor, Robert Benchley; bottom, Benny Goodman.

the official description. But smokers raised the roof. Many concluded that the omission of the phrase "Turkish and Domestic Blend" meant that their favorite tobacco formula had been tampered with. Others protested that the pale and sickly new Camel reminded them of a pack of candy cigarettes. Rumor had it that R. J. Reynolds, Jr. was so angry that he sold a block of his company stock. The hue and cry quickly convinced the directors to go back to the original package.

In the late 1960's the famous "I'd Walk A Mile" slogan was reintroduced, pleasing a lot of nostalgic smokers and helping Camel sales. In the meantime, Reynolds maintained another strong link with the past, continuing to manufacture chewing tobacco brands such as Brown's Mule and Schnapps, which dated back to the Little Red Factory.

A TRADITION OF INVOLVEMENT

In the early days tobacco processing was a seasonal occupation, and in sparsely populated Winston it was difficult to get help. The area was the blackberry center of the United States, and local people usually preferred the pleasures of picking berries to long hours in the plug factory. Often workers would stay with Reynolds long enough to afford a new suit, and then return to Yadkin or Wilkes counties to show off their new clothes. The company frequently sent recruiters out into the countryside to find workers.

As his business grew, Reynolds attracted an expanding core of loyal employees. An attendance bonus was one way of doing it. In many cases there were entire families on the payroll, where, as one generation grew older, another would come along and join them on the job. This is a practice that has continued, as has been substantiated by a recent survey showing that more than four out of ten employees have other members of their immediate family working at Reynolds Tobacco.

Reynolds himself was always well aware of the importance of the employees to the company's well-being. He thought twice about entering a factory because someone would usually stop him and ask for a raise, which he found hard to turn down. Once, when there was a surplus of processed plug tobacco, instead of laying off workers, he went on a selling trip that created an immediate market for the extra product. Reynolds introduced a stock participation plan in the early 1900's. It enabled all—leafworker as well as president—to share in the profits. Many modestly paid employees were able to accumulate rather impressive sums over the years.

The company has long been recognized for its numerous efforts to better the living and working conditions of employees. One benefit introduced by Reynolds himself was to establish cafeterias where lunch could be purchased at cost. Another was the support of day care nurseries for the children of women employees. Reynolds also set in motion a plan for the company to build homes and sell them to employees at reasonable cost and for low cost loans for those who had already bought or built homes. Behind many of these actions was Katharine Smith Reynolds. College graduate, art teacher, and former company employee herself, she also persuaded her husband to shorten the work week and to set up a medical department.

In 1920 a recreation program was inaugurated which included picnics, band concerts, parades, field days, dancing—and a baseball league featuring 16 teams. In 1929 the company established a retirement plan and provided for group life, disability, and health and accident insurance. This tradition of showing concern for its workers continued after World War II with improvements such as these: free employee parking, increased vacation benefits and paid holidays, and a matching grant and tuition refund plan. In 1949, a pastor-counselor was hired, a relatively new practice in industry at the time. A suggestion plan has prompted thousands of ideas from employees, many bringing them monetary awards and also saving Reynolds substantial sums in operating costs.

R. J. Reynolds also fostered an interest in the community which soon brought company and employees together in their concern for the good of Winston-Salem. His personal generosity goes back at least to 1891 when, temporarily strapped for funds himself, he gave $500 to help establish a Negro college, now Winston-Salem State University. He contributed to civic, charitable and educational institutions throughout his life. His widow kept up his work, endowing a chair of biology at Davidson College, purchasing the site for the high school named for him, and financing the Reynolds Auditorium.

Company philanthropy is almost as old as the firm itself, with countless gifts for hospitals, playgrounds, libraries, historical restorations, homeless fire or flood victims and so on. Over a period of five years in the 1960's, for instance, the company contributed an average of three-quarters of a million dollars annually to education alone. The relocation of Wake Forest University to Winston-Salem and the establishment of its Bowman Gray School of Medicine involved the generosity of the Reynolds and Gray families, as well as the company.

When Forsyth County decided to build a new general hospital, the company donated $1 million toward its construction. Although its loyalties have primarily been to the part of North Carolina where most of its employees and their families live, the company has helped regional and national organizations as well. Its interest in the community has been shared by RJR employees, who have contributed time and money to many causes that have benefitted Winston-Salem.

Above: 1918 office staff.

RJR

WINSTON AND SALEM: TWIN WINNERS

No tobacco expert could have predicted the great changes that came to the industry in the years following World War II. Three factors were involved: the advent of television as an advertising medium, the use of filter-tip cigarettes, and the health controversy. They altered the market, people's smoking habits, the advertising structure, and the actual methods of cigarette manufacture. Through a combination of wise planning and good fortune, Reynolds emerged in 1958 as the nation's leading tobacco company with sales of more than a billion dollars that year.

The first of Reynolds' products to appear on television was Camel, when commercials were seen during the broadcasts of sports events from Madison Square Garden. In the late 1940's, the number of TV stations was limited, and commercials appeared on only 12 stations in the Northeast. In 1948, as national networks were formed, Camel cigarettes sponsored the Camel News Caravan, featuring John Cameron Swayze on one of the first national TV news programs. As this new advertising medium came into its own, Reynolds commercials reached a nationwide audience with an unprecedented impact on tobacco sales.

A key event was the successful innovation of a new product, Winston filter-tip cigarettes. It came just at a time when the public was ready for it. A Reynolds vice president returned from a 1951 vacation trip to Switzerland with surprising news: according to his informal survey, at least half of the people in that country were smoking filter-tip cigarettes. There was some hesitation on the part of Reynolds to react, because at that time a filter to a tobacco man in this country was like ketchup to a French chef, and bland filter-tips of the period accounted for only a minuscule share of the market. Reynolds finally concluded, however, that the public might go for a filter cigarette if it were blended properly. The company set its experts to work. It wasn't easy. The Reynolds test panel smoked about 250 versions of the trial Winston over two years before someone took a puff of blend number 736 and cried, "This is it!"

Winston went on sale in March, 1954. In the first nine months 6.5 billion were sold, and by 1956 it was the top filter brand, with sales of 31 billion cigarettes. Ten years later it became the best-selling cigarette in the nation. The sudden popularity of this new product intensified the problem of obtaining machinery to make and attach filter plugs in quantity. That first year a new order of British-made machines arrived in New York harbor aboard the "Queen Mary" during a longshoremen's strike, and the ship turned around and sailed back to England with her cargo. Ten of these machines were off-loaded and shipped back by air, while the rest waited for the strike to end. The following year 114 German-made filter tip assemblers were flown across the Atlantic as soon as each one was completed, turning out Winstons within four days of leaving Germany.

Advertising played an important role in the cigarette's success, particularly a jingle that aroused smokers and non-smokers alike—"Winston tastes good, like a cigarette should." This simple slogan became the keystone of a phenomenally effective campaign. Purists objected strenuously to the use of "like" as a conjunction, and the publicity generated was invaluable. Grammarians argued on television, on radio, and in print. Probably the most famous incident occurred when the jingle was discussed pro and con for 20 minutes on a TV panel show. John Mason Brown, the noted author and critic, ended the discussion by declaring that the jingle gave him "physical pain." With that he pulled out a pack of Winstons, lit one right on camera, and added, "But I think the cigarette is great."

The Winston package has also been given some credit for that brand's success. The company decided to think in entirely new terms, finally approving the strikingly provocative red letters on a white background, resulting in a classic example of package design.

After a long period of top-secret preparation, the company in 1956 startled the industry with Salem, the first filter-tipped menthol cigarette.

Once again, sales surpassed even the most optimistic expectations, reaching four billion in the first 12 months, and Salem eventually dominated not only the menthol field but also became one of the world's top-selling brands.

Advertising was important here, too, keyed to the theme of light, refreshing springtime smoking. The green of the pack was carefully chosen to suggest the green buds of the outdoors. The success of the Salem campaign prompted other advertisers to move outdoors, too, and soon everything from soap to furniture was being peddled al fresco.

SETTING THE PACE

The demand for Winston and Salem led the company to expand production capacity once more. Ground was broken in Winston-Salem for what would be the world's largest and most modern cigarette plant. It was called Whitaker Park, after John C. Whitaker, the company's board chairman at that time.

The first Winstons produced there came off the line in April, 1961.

More recently the company began the installation of a new generation of cigarette manufacturing equipment to greatly increase production of a firmer, more uniform cigarette. The equipment includes a new line of cigarette makers, high-speed filter makers, and an improved automated feeding system.

Research also received increased attention. In the early 1900's the department consisted of a Bunsen burner, a U. S. Navy coffee cup and one man. As Custodian of the Denatured Rum Storeroom, he helped RJR "flavor" the chewing tobacco.

A far cry from these early beginnings were the Reynolds research laboratories built in 1953 and the $2 million addition opened in 1958. Ten years later the company dedicated the $9 million Bowman Gray Development Center, named for the then board chairman. It further increased the company's overall research and development capabilities.

Reynolds pioneered a significant advance in tobacco processing when it developed a satisfactory method of removing stems from leaves. Another achievement was the fabrication of reconstituted leaf, making possible the efficient, economical use of the entire tobacco leaf, something the industry had been trying to accomplish for a long time. In the late 1960's Reynolds perfected a process to expand shredded tobacco, leading to a great savings in cigarette manufacturing costs.

Experimentation with filters and tobacco led researchers to develop Doral and Vantage. They provide low "tar" and nicotine while maintaining a good tobacco flavor that is lacking in most such special brands. The company began marketing Camel Filter, 100-millimeter versions of Winston and Salem, and three new aromatic smoking tobaccos, Carter Hall, Madeira Gold and Apple. Not everything succeeded. In 1949 Reynolds brought out Cavalier, a king-size, non-filter cigarette. Despite a great deal of hoopla and a vigorous advertising campaign, Cavalier dropped out of sight a few years later.

Vantage marked a milestone in a unique way. Introduced in 1970, shortly before radio and television cigarette advertising was banned, it entered the highly competitive market without that benefit. Due

mainly to its candid advertising approach in newspapers and magazines, Vantage is the fastest growing major brand today.

Since the broadcast ban, the company has turned to sponsoring auto racing and rodeo events, major bowling tournaments, and programs for recreational skiers.

Reynolds continues to broaden its product lines. Winchester, its entry in the little cigar market, leads its competition. In 1974 Winston Lights, a low "tar" and nicotine version with the Winston flavor, went on sale.

On the threshold of its second century Reynolds remains the industry leader: the only tobacco company to have three cigarettes in the top 10 brands, the top-selling little cigar, the Number 1 smoking tobacco, and the leading plug chewing tobacco.

TABACO τοβαεκω TABAK 烟草

Reynolds' only foreign sales had always been cigarettes exported from the United States. From London to Buenos Aires to Sydney the company's leading brands were on sale in the tobacco shops. However, in most countries a very high tax is levied on imported cigarettes, boosting the price to as much as $2 a pack. To take better advantage of the growing world cigarette market, the company began its own international tobacco operation.

The first step came in 1960 when Reynolds bought a controlling interest in Haus Neuerburg, one of West Germany's leading cigarette manufacturers. Through this firm, Reynolds began manufacturing Winston and Reyno, the equivalent of Salem. R. J. Reynolds (Europe), S. A. was formed as a subsidiary which could operate within the framework of both the Common Market and the European Free Trade Association.

As its worldwide tobacco interests grew, this Geneva-based company was renamed R. J. Reynolds Tobacco International, S. A., and it began setting up manufacturing operations and licensing agreements in many countries around the world. Regional headquarters were established in Hong Kong, Rio de Janeiro and Beirut. Manufacturing units can now be found in Venezuela, Brazil, Ecuador, the Canary Islands, Curacao, Indonesia and West Malaysia. They provide the basis for sales, marketing and manufacturing of tobacco products outside of North America and Europe. In more than a dozen other countries ranging from Australia to Yugoslavia, either subsidiaries have been established or licensing agreements have been reached to carry out those functions.

Two new RJR facilities have begun operations in Europe. One, in Trier, West Germany, is operated by Haus Neuerburg, and supplies Reynolds brands to Common Market countries. The second plant in Dagmersellen, Switzerland, makes brands for nations in the European Free Trade Association.

International operations call for special know-how. For example, the per capita rate of consumption varies from 470 cigarettes in Norway to a high of 2,600 in Switzerland, while in Asia the variation is even wider. In Western Europe alone there are 16 countries, 11 principal languages and 15 different currencies to deal with. The restrictions on advertising and promotion run from an almost total ban in Austria to complete freedom in Spain.

In the North American area of operations, production was increased with the construction of a $4 million plant in Yabucoa, Puerto Rico. The three leading Reynolds cigarette brands are made there, supplying not only the growing market in that commonwealth but also other Caribbean outlets.

A major step was taken in 1974 when the company acquired one of Canada's largest tobacco manufacturers, Macdonald Tobacco Inc., a firm which has been in business for well over a century, producing and distributing cigarettes, smoking tobacco and cigars. Its Export "A" is Canada's best-selling cigarette.

This acquisition was actually the culmination of a business relationship that began in 1970 when Macdonald became the exclusive Canadian distributor of RJR cigarette brands. Macdonald headquarters and main manufacturing facilities are in Montreal.

RJR brands are now available in more than 140 countries. Although accurate figures are hard to come by, cigarette consumption outside the United States is estimated to be 2,000 billion annually—four times the U.S. figure—and this growing international market is one Reynolds plans to make the most of.

2

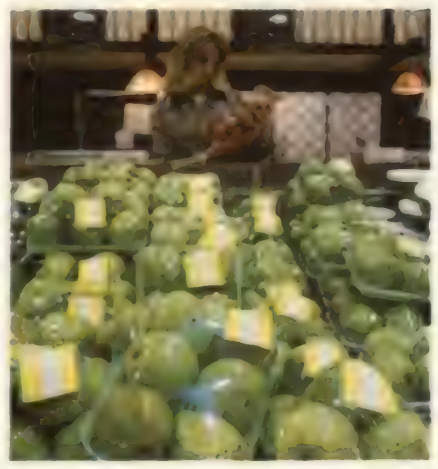
Salem
Reyno

CONTESSA
SLIMS
EXPORT A

NEW DIRECTIONS . . . ALUMINUM AND PACKAGING

Richard Joshua Reynolds once said, "I've written the book. Others need only to follow it when I am gone." Essentially, he was correct, as long as his followers remained in one line of business—tobacco. But the book came to an end when the company embarked on a calculated diversification program, leading it in directions the founder never could have imagined.

In 1956 Reynolds amended its corporate charter to permit investment in non-tobacco enterprises. There were two principal reasons. First, having captured one-third of the U. S. cigarette market, the company could see a point of diminishing returns for growth potential. Second, significant cash was being generated which could be invested advantageously elsewhere.



Moving cautiously, the company combined the foil and foil products divisions into Archer Aluminum, now known as RJR Archer. Reynolds had begun making its own foil to wrap its tobacco products in 1927. After World II Archer got into laminated aluminum foil for improved wrapping of Reynolds products, expanding in the 1950's to make packaging products for customers other than Reynolds.

In 1967 Reynolds acquired Filmco, a producer of stretch and shrink films for wrapping fresh meat and vegetables. Made a division of Archer in 1970, Filmco added to Archer's capability to make a complete range of flexible packaging materials. With plants in five states and in England, RJR Archer today is a leading supplier of specialty foil and sheet aluminum products, florist foil materials, protective film wrap, gift wrap and decorative bows. Archer products are used by many large companies for packaging a wide variety of foods, pharmaceuticals, beverages and innumerable consumer household goods.

. . . FOODS AND BEVERAGES

For its first non-tobacco acquisition, Reynolds in 1963 turned to an entirely new area—convenience foods and beverages—recognizing the potential for growth in this industry. In 12 years, RJR Foods has brought many famous brand names into its family.

It began with the purchase of the popular Hawaiian Punch fruit drink. Two years later the company added more quality brands to its line, among them Vermont Maid syrup, Brer Rabbit molasses, My*T*Fine puddings, College Inn products and Davis baking powder.

Then Reynolds took on Chun King, a business that had started out with 25 pounds of bean sprouts in a converted Quonset hut in Duluth, Minnesota. Its canned and frozen oriental dishes are one of the nation's best-selling brands. A subsidiary manufactures and distributes similar products in Canada.

Reynolds made a gastronomic shift from the Orient to South of the Border in 1967, acquiring Patio Mexican foods, a broad line of frozen dinners and entrees, including enchiladas, tortillas, tamales and tacos. Manufacturing facilities are located in San Antonio, Texas.

A recent agreement gives RJR Foods the exclusive rights to develop and sell packaged citrus products under the Sunkist name.

A Canadian subsidiary, RJR Foods, Ltd., markets a variety of foods: an instant mix orange drink, frozen snack rolls, and Coronation brand cherries, olives, onions and pickles.

By diversifying into foods and beverages, Reynolds added new geographical dimensions to its operations. RJR Foods has 14 plants in 10 states and two Canadian provinces—including a passion fruit plantation on the Hawaiian isle of Maui.

. . . CONTAINERIZED SHIPPING

In a bold step away from consumer products and packaged goods, R. J. Reynolds in 1969 brought into the corporation Sea-Land Service, Inc., not only the world's largest containerized freight operation but the originator of this revolutionary concept of transportation. Sea-Land had its beginnings in 1955 when service began between New Jersey and Texas with 60 trailers shipped on the deck of a partially converted tanker. Today, Sea-Land's greatly expanded, computerized system speeds cargoes of every conceivable kind across continents and oceans.

The key to the Sea-Land concept is the container itself, a highway trailer that travels equally well by ship, rail or motor carrier. Once loaded at the customer's doorstep, it can be delivered under seal to a seaport. Still in its original container, the freight is transported by containership to another port, foreign or domestic, for shipment by truck or rail to its destination. This fully integrated transportation system combines flexibility, low cost and speed.

RJR extended Sea-Land's capabilities in three vital areas: ships, port facilities and containers. Most dramatic was the construction of eight super containerships, the SL-7 series. Each has a capacity of 1,096 containers, is capable of making 33 knots, and is three times longer

than the 22-story Reynolds Building is tall. Breaking one speed record after another, the SL-7 has crossed the Atlantic in four and one-half days and the Pacific in less than six. These great ships add a new dimension to ocean freight. For instance, fresh produce can now be delivered from the U. S. West Coast to Asian markets in a time span that competes with air freight, and at a much lower cost.

The secret of the SL-7's success is that it can be unloaded, loaded again and on its way in less than a day.

Complementing these super containerships and more than 60 other vessels in the Sea-Land fleet are four SL-18 class ships, each capable of carrying 733 containers at 23 knots.

Port facilities have been expanded and improved around the world to assure rapid turnaround time.

At last count, Sea-Land served 121 ports in 47 countries, from Alaska to Greece, Bermuda to Tokyo. As for the containers themselves, the original 60 have grown to more than 70,000, including those that are temperature-controlled and those made to carry automobiles, livestock, bulk liquids and other special cargo. Sea-Land's horizon seems as broad as the seas.

...INTERNATIONAL PETROLEUM

Continuing its diversification program in wholly new areas, Reynolds in 1970 acquired American Independent Oil Company (Aminoil), an independent producer and refiner whose principal sales are to other oil companies. Its main source of oil is the Divided Zone, a 2,560-square-mile area between Kuwait and Saudi Arabia. Aminoil maintains refinery and desulfurization facilities in Kuwait. The company also is a member of the Iranian Consortium, an international group of companies which refine and market Iran's oil.

This newest member of the Reynolds family has been actively engaged in exploration for new sources of crude oil and gas. As operator for a group, the company is exploring offshore and onshore in Indonesia and in participation with another company has a concession in Paraguay.

In the United States, Aminoil is engaged in offshore geophysical operations along the Atlantic and California coasts and in the Gulf of Alaska. The company also has been taking part in exploration and development in the Gulf of Mexico off Louisiana and Texas.

Aminoil's Houston office, which was established in 1974, directs the company's increasingly active participation in U.S. exploration and handles domestic production.

Looking ahead, Reynolds' newest subsidiary envisions substantial opportunities in the world petroleum market.

AN EXTENSION OF THE PAST

An historic meeting took place April 22, 1970. That was the day shareholders approved a plan to create a new parent company, R. J. Reynolds Industries, Inc., with Reynolds Tobacco Company becoming a wholly owned subsidiary. The plan was formally adopted by the directors, and on June 29 the new corporation was born. To those who thought back to the origins of the company, reflecting on its exciting evolvement into the nation's leading tobacco manufacturer, it must have brought at least a moment of sadness. For them, as well as for relative newcomers to the scene, A. H. Galloway, the new company's first chairman and chief executive officer, explained:

"It is important that the formation of R. J. Reynolds Industries, Inc. be viewed in its proper context. The formation of this new company is not a sign of decreasing interest in our tobacco enterprises. Rather, it is a sign that our diverse subsidiary interests have matured to the stage where they stand as full-fledged members along with tobacco.

"The formation of R. J. Reynolds Industries does not represent a radical new course or an abandoning of the past. It represents a logical extension of the past, a building on the foundation carefully established, a source for the expanded utilization of the strengths and abilities carefully developed."

Under the holding company structure, Reynolds Industries would provide coordinated and centralized financial, administrative, personnel, public relations and other services, as well as overall management, for the subsidiaries.

The company's efforts had created a remarkably diversified organization. Starting slowly with the expansion of the aluminum division, Reynolds had then entered the food and beverage field, lending its marketing know-how to those consumer products. Then adopting an unrestricted approach toward diversification, Reynolds moved into entirely new areas, shipping and petroleum, on the theory that it made sense, when appropriate, to apply cash to any strong, well-established business.

With sales and revenues well over $4 billion, and with 33,600 employees, Reynolds Industries in 1975 can look back with some satisfaction on its program of diversification. Its aluminum division has become a wholly owned subsidiary doing two-thirds of its business with outside customers. Its containerized shipping subsidiary has been expanded to the point where it is the undisputed leader of the industry. Its foods company, literally made from scratch, now has eight brand lines and is emerging as a leader in its field. Its international petroleum business is exploring the globe for new oil and gas sources. And all the while the company not only has maintained its leadership in the U.S. tobacco market, but also is rapidly expanding its overseas operations.

One feature of the creation of Reynolds Industries was the design of a new corporate symbol, a modern version of the initials that took on significance as far back as 1883.

That was when a Winston newspaper referred to a leading citizen as "R. J. R." and there wasn't any question who it was. On August 10, 1886, Reynolds registered "R.J.R." as his trademark, and then had an elaborate RJR designed for his carriage and later affixed to the chain-driven automobile he drove in 1910.

The ornate initials became the company's symbol and remained as such until 1961 when they were redesigned to form an open oval. The present modern logo now appears on everything from letterheads to trucks. Its link to the Little Red Factory and its founder is unbroken.

Text: Jerome Beatty, Jr.

Design: Jeffrey Moriber,
Hill and Knowlton, Inc.

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RJR

R.J.Reynolds Industries, Inc.

Winston-Salem, N.C. 27102